

5 Steps To Researching a Stock Trade Before Investing



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Researching a stock trade

Once you determine which business cycle the economy is currently in you can start researching for a trade. It is best to have some sort of a system in place that will be used before EACH trade. Here is a simple 5 Step formula to help get you started.

5 Steps to Investing Online:

1. Find a stock

This is the most obvious and most difficult step in stock trading. With well over 10,000 stocks to trade a good rule of thumb to consider is time of the year. For example, as I write this, it is the beginning of spring. It would make sense to consider stocks that traditionally make runs, or slide if you are bearish, during this time of year.

2. Fundamental Analysis

Many short term traders may disagree with the need to do ANY Fundamental Analysis, however knowing the chart patterns from the past and the news regarding the stock is relevant. An example would be earnings season. If you are planning

on playing a stock to the upside that has missed its earnings target the last 3 quarters, caution could be in order.

3. Technical Analysis

This is the part where indicators come in. Stochastics, the MACD, volume, moving averages, RSI, CCI, support levels, resistance levels and all the rest. The batch of indicators you choose, whether lagging or leading, may depend on where you get your education.

Keep it simple when first starting out, using too many indicators in the beginning is a ticket to the land of big losses. Get very comfortable using one or two indicators first. Learn their intricacies and you'll be sure to make better trades.

4. Follow your picks

Once you have placed a few stock trades you should be managing them properly. If the trade is meant to be a short term trade watch it closely for your exit signal. If it's a swing trade, watch for the indicators that tell you the trend is shifting. If it's a long term trade remember to set weekly or monthly checkups on the stock.

Use this time to keep abreast of the news, determine your price targets, set stop losses, and keep an eye on other stocks that you may want to own as well.

5. The big picture

As the saying goes, all ships rise and fall with the tide. Knowing which sectors are heating up stacks the chips in your favor.

For example, if you are long (expecting price to go up) on an oil stock and most of the oil sector is rising then more likely than not you are on the right side of the trade. Several trading platforms will give you access to sector-wide information so that you can get the education you need.

About Rupansh Ashwani

Rupansh Ashwani is the author of 'The Sojourn' and 'Pulchritude - An Eternal Love Story'. He is also the singer/composer/lyricist of 'Proud to be a CA', 'Love can go so Far', 'Show me the way' and 'You are in my dreams.'

Rupansh Ashwani is CA,MBA,CFA,MFA,DISA,B.Com Hons He also topped highest marks in CA exams in India in 2011. He also is a certified career counsellor and study abroad counsellor.

